Client Success Story – Automation and Cash Flow

Situation

The procure to pay business process was complex, manual intensive and being outsourced to a BPO provider who was being paid based on transaction volumes and accuracy.

The procure to pay process was:

- Expensive
- Frustrating for buyers
- A victim of inappropriate measurement.

How we helped

3c extracted and analyzed 9 months of data and highlighted the following:

- Days Payable Outstanding was averaging 22.7 days compared to average companies being at 41 days
- Accounts Payable invoice automation was averaging 30% (top performer are over 80%). We high lighted the top 20 list of vendors providing the most manual invoices including 3 vendors who were sending over 500 manual invoices per month
- Payment automation was averaging 16% (top performer are over 90%)
- % of Accounts Payable invoices with a PO was averaging 11% (top performers are over 80%)
- Over 1,000 employees were involved in "coding" invoices – distributing invoice line items to the correct GL account, cost center etc.

Quick hit process changes were made including:

- Updating payment terms in the Accounts Payable master file and instructing the BPO provider to pay at 35 days
- Contacting the vendors with highest volume of manual invoices and mandating electronic submission

Longer term process changes are currently being made including:

- Revised guidelines to increase purchase order usage
- Migrating vendors onto electronic payment
- Revising the Service Level Agreement with the BPO provider to incorporate Days Payable Outstanding and invoice automation KPI's

Results

Days Payble Oustanding increased by 13 days equating to $208 million in free cash flow. The company's weighted average interest rate on long term debt was 7.7% = $16 million in annual interest expense savings.

Accounts Payable invoice automation has increased from 30% to 44% and is on target to reach 60% within 6 months.